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**About Post-soviet labor market origin within Ukrainian transformational case**

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**Abstract** *Contemporary Ukraine is under press of needed but not realized proper market reforming, instead of sharp crucial changing within labor sphere, which could be seen as spontaneous and reveling really appropriate and even immanent for majority of Ukrainians individual way of establishing new employment options. Hence the way from full employment to self-employment is corresponding with deep, experienced by millions of Ukrainians, and could depict real social changes as most important transformational tracks in post-soviet Ukraine.*

**Keywords:** full employment, transition/redistributive/mixed economies, segmented/plural labor market, self-employment, informal employment, Ukraine.

*For the introduction* would be correct to remind a still important remark made by N. Fligstein in 1996, that there 'are two great institution building projects going in post-socialist societies: state building and market building and these projects cannot be divorced from one another because much of state building is about market building, both in terms of setting rules for markets and the state role in markets and also deciding how societies will respond to markets in fields like social policy. This period in the former socialist societies is like the 1880-1920 era for the advanced OECD countries in that the basic outlines of institutions are being laid down'(Fligstein 1996).

Socio-economic differences in Central and Eastern European countries nowadays reflect the impact of different economic country's chosen modes including the employment policy. *'Although differences in trajectories of transitions across reforming state socialist and post-communist societies have become more pronounced over time, path dependence is likely to result in structural similarities across transition societies'* (Nee, Matthews 1996). Some countries from this region experienced proper economic reforming by means of economic restructuring, some – not at all, partial changes or just very few reorganizations on the background of prolonging the usage of previously formed economic resources. Ukraine is one among these countries following the post-soviet transition without restructured economy system by means of exploitation the inherited huge soviet economic industrial model of 1930-50s primitively shrunken in twenty post-soviet years. As economics was not restructured, not modernized according to technological challenges of contemporary times, the only main changes happened to be as market-like when industrial objects were privatized by selected representatives of red directorate and party nomenclature – real winners of post-soviet transition through realization of their inspiration – to legalize their ownership and of course them as official owners. Opposite them, working people as ideological concrete of soviet regime were pushed to new for majority unexpected socio-economic experience of work search for life surviving after broken ideological rule: one life – one work. Ukrainian politicians during the all post-soviet period were unable to offer any kind of employment policy following vitally needed but absent economic restructuration. Need to remind, that leading communist cadres in power were able only for command-administrative managerial

activity as non- experienced in market development. Certainly-- the only interest in selectable privatization in the time 1990-1994 when majority of communists and red directors in Ukrainian parliament formed the biggest and influential MP group "For the just soviet Ukraine"- actually core of contra-revolution after 1991, as it was named by soforeign and Ukrainian experts.

So, Ukrainians from the beginning of 90-s experienced new working challenges opposite to the long life soviet full employment policy and ideology. Need to clarify, that meaning of *full employment* in soviet terms differs from that, used to be in the West, where everybody who seeks work should be employed. In soviet terms, everybody in workable age should be employed, if not - would be in prison. Well-known is *Article #12* in soviet constitution of *sponging*, introduced firstly in 1936, according to which work in USSR was announced as obligation for every capable citizen due to principle: nonworking one has no right to eat. Later in 1961 was issued the Law, based on this Article #12, 'About strengthening the struggle with individuals, who omit social- useful work and live on the 'nonworking' incomes from exploitation the land allotments, automobiles, habitation as support base for their parasitical living mode etc. The social-useful work means only work under state sanction. Important also, that in 80-s struggle with nonworking incomes was simultaneously followed by perestroika changes, when the new *Law of individual working activity* (1987) and *Law of cooperation* (1988) were issued. Finally in 1991 struggle with sponging was finished when new *Law of employment issued*, which abolished the criminal responsibility for sponging and first time acknowledged the unemployment. Thus, soviet system of prohibitory issues formed actually special attitude to work, earnings,

unification of living standards and then, beginning from 90-s new economic space of market opportunities was unknown for majority people, economic initiative was nipped in the bud, highlighting only severe problem of searching the living sources. Millions after long lasting secure low wages but full employment were dismissed from closed industrial units, numerous nonacademic research institutes (NDI), connected to different economic branches and mainly to war industry, -- suddenly lost their certain working places, actually experienced previously unknown unemployment

*Therefore, all processes within socio-economic sphere depicted by statistical figures and sociological data reflect initially spontaneous changes in employment structuring, attitude to work, work motivation, new tendencies in working aspirations together with market consciousness development, simultaneously displayed soviet tracks – low wages system and post-soviet complicated fiscal weight with consequence of widening the shadow economy and informal employment.*

**Conceptual framework.** Obviously previous argument refers to the well-known methodology of path dependency, actually generalized all the rest possible and appropriate conceptions for understanding and explaining the post-soviet social realities. Firstly, they were analysed in terms of transitional studies, which afterwards was changed by more adequate research logic for analysis of starting state ‘from’ then ‘where’. The state of pre-transforming social-economic system occurred to be more important for future development and changes, that’s why in 2000-s the path dependency conception took the first position within post-soviet studies. Well-known

among economists this conception was developed already within wide range of interdisciplinary works of economics, sociology, cultural studies and history (David, North, Biggart 2001 and others). Path dependency in general means that current and future statements, actions and decisions depend on previous statements, actions and decisions in consideration of time aspect, finally forming the model of institutional 'sticking' (Scott E. Page 2006). Thus new state formations in its development are more depending on previous sense of proto-state existence stressing on the core for analyzing major depending factors – institutional, eventual and mood character. This conception means the institutional display of established patterns of social technologies and norms, reproduced already in new conditions, defining the politic-economic character of development, state of society, social processes with strongest dependence from factors of mentality and values. M.Burawoy as real ethnographer master of transitional societies noticed, that post-soviet countries passed transit without transformation, in particularly Russia instead of neo-liberal revolutionary break with past or expecting neo-institutional evolution act towards capitalism finally came to involution degradation (Burawoy 2000). Consequently, political choice of social state model in the majority of post-soviet countries, was caused not by some special national features, but only principles of soviet social policy, providing it on the all social and politic levels by the same soviet nomenclature names, according to the election results, as citizens even after independence elected representatives of old soviet nomenclature with authoritarian customs of command-administrative management. Thus, in the time of changes from socialism to capitalism was actually reproduced the soviet model of social policy. Formed in

soviet period peculiarities of social organization and culture became the obstacles to market changes, continue to be reproduced, the main of which are: 1) low living standards and low claims for improving of mass groups during soviet period; 2) patience as national feature with correspondence to protest potential and undeveloped civil society; 3) mass vision of social justice in terms of socialist ideology with dominance of work orientation over market, when entrepreneurial labor is measured not in working days, but definitely another even innovation economic criteria (Shabanova 2005).

2. Thus, the main conceptual approach could be more appropriate well-known theory of market transition from socialist to market economy developed by Victor Nee (Nee 1989, 2012) probated and proved its validity for analyzing the reforming socialist economies with accent on transition from redistribution to market in state socialism, shifting sources of power and privileges to favor direct producers relative to redistributors. Opposite to modern market economies, where redistribution is provided by the welfare state institutions, in state socialist societies redistribution 'constitutes the integrative principle of the economy' and is provided by institutions of central planning. Administrative mode of distributive the rewards in state socialism prolonged afterwards in some case of utility of political power for entrepreneurs, hierarchical forms of economic coordination remain dominant. Nee's basic three theses in his market transition theory are: 1) *market power thesis* – less power in control over resource by through market like exchanges; 2) *the market incentive thesis* – redistributive economy depress incentive, because administrative prices for labor with no pay for different performance, just only in regard for loyalty and are lower than market-determined prices'; 3)

*the market opportunity thesis* about changes in structure of opportunities concentrating rather on the marketplace, than within redistributive sector. Following Polanyi's concept of redistribution and nonmarket trade, Nee referred also to J.Kornai specification of consequences of partial economic reform, which 'brings out the worst aspects of central planning and markets', making ground for enlarging the distributive consequences of partial reform, when 'redistributors doubling own profit from distributive and market opportunities'; as also 'modeling entrepreneurship and labor market that transfer surplus labor in to the second economy'; and finally, role of the state in establishing the institutional system of mixed economy.

The concept of 'second economy', formed in Eastern Europe, refers to all income-generating activities outside the redistributive economy, relatively autonomous from the state comprises such activities, as private construction, repairs, handicrafts, coaching of pupils out of school classes, medical care services etc. in USSR was simply dangerous, where even right for additional work place was strongly restricted due to redistribution policy following the ideology social equalizing. Conception 'second economy' was proposed in 1970-s by American economist G. Grossman deals with productive and exchange activity characterized by one from two principles – straight personal benefit or avoid law system. Different sovietologists (G.Shreider, H.Gramatski others) underlined that shadow economy penetrated to all spheres of production and consumption out of state control fulfilled many functions: information, supply, stability, innovation. In the middle of 1980-s already the few soviet economists described the function of informal activity within the



context of individual work activity as prediction of private entrepreneurship (Khavina, Superfin 1986).

Hence, from the very beginning of market transition the few people, engaged in second economy legalized their quasi market activities and became the first entrepreneurs but only some of them generally used the habits of parallel economical activity in order to avoid fiscal weight remained by transforming to the contemporary informal economy.

3. Next approach refers to the concept of informal economy, and informal employment particularly. It should be agreed that informality in economics instead of its widening in all countries differs only in levels and measuring methods, still needs more research attention, especially in the post-soviet countries. The concept of informal employment based on the ILO definition as most appropriate is taking to consideration informal producers or distributors of commodities and services in small amounts in response to market demand with concern of regularity, but the biggest figures of informal sector turned to be considered already as shadow economy sector.

The method of shadow economy measurement, used by J. Schneider is well-known and gives us imagination of economic informalization around the world, and deep analytic research insight in nature of informational activities. American researchers Alexeev and Pyle after profound study of all existent informal economy measure methods used for describing the size of this sector in post/soviet republics came to conclusion, that such type of economy more a historical phenomenon than institutionally determined (Alexeev, Pyle 2001). Therefore, the aspect of in/voluntary informal employment is definitely right

direction in understanding such process within labor sphere in the post-soviet economic space, actually gives us some ground for understanding the **labor market formation process**. With respect to IZA research group within its grandioso longitude project on emerging labor markets in Ukraine, I agree with their vision of post-socialist grounds in nature of informal employment, except rigorous conclusion about self-employment. Lehmann and others (Lehmann, Pignatti 2007) used three conceptual approaches in special research of the informal employment in Ukraine: *traditional* concern about involuntary engagement of workers in segmented labour market: primary formal market with 'good' jobs and secondary informal with 'bad' jobs; next is '*revisionist*' approach (Maloney1999, 2004) about voluntary involvement to the informal employment according to higher utility of informal job than formal one and also vision the *labour market as a continuum of options* that workers have in a point of time or over the working life. The third conceptual approach is more complex vision of labor *market segmentation with 'upper ties jobs' and 'free entry jobs'* in the secondary informal sector (Fields and others): the first as good jobs are restricted, the last one are open for anyone, as most jobs in informal sector, which people take only involuntary. Sure, that we have to differentiate the economic activity within informal sector and informal activity within formal sector, salaried workers and self-employed within these categories also. According to the IZA conclusions in the Ukrainian labour market formal salaried workers clearly dominate in total employment not only in terms of quantity, but also reflecting the fear of unemployment, when informal job as just a 'waiting stage' before formal employment, but in terms of quality still strong inherited socialist pattern of work. To choose a pattern of

self-employment as a model of employee and employer in one person is extremely hard decision for majority of post-soviet people, only those the few, who has brave to risk voluntary turn to self-employment as formal entrepreneurs, and the biggest part take the option of informal employment involuntary, just for surviving (Ivashchenko 1994, 1995, 2001, 2002, 2003, 2004, 2008, 2010, 2011)

Thus, the last conception point --within the study of phenomenon of informal activity, beginning from Hart' long-lasting structuralism approach further developing by legalist approach as 'other path' introduced by de Soto in 1986 -- both have right to be in account regarding post-soviet realities, where and when the reason of informal activity is search of earnings for life should be added by de Soto assertion that informal economy certainly is a natural or 'normal' form of people's mass capitalist entrepreneurship within bureaucratic and overregulated market economy institutional structures, where the sphere of legal big business is tightly connected with state power -- what is more likely to consider as a reservation with no room for small business, forced to go to shadow sector. Optimistically de Soto insists that raising of informal sector should be seen as an evidence of display of widening the cohort of dynamical and entrepreneurial people with needs only regarding the economic deregulation.

***Sociological descriptive analysis.*** Work, employment guarantees and employment itself during all post-soviet period occupied the highest positions within the Ukrainian citizen values structure according to the Social Monitoring data survey conducted by the Institute of Sociology National

Academy of Sciences (1991-2013). After epoch of soviet full employment, where every person was institutionally tied to certain work place, million people suddenly were faced to open and hidden unemployment. Therefore mass search of work or simply life means and different social adaptation' challenges led generally to historic changes of labour sphere: **80, 4% (1994)** respondents never changed workplace, but just in 5-6 years later this group reduced to **43% (2001)**. Employment situation shaped correspondingly to enlarging the private sector: since 1994 the state sector employment dropped twice from 51,2% to 19,6 (2010) opposite to almost 5 times growing the private sector – 6,1% (1994) to 29,8% (2010). Instead of changing falling tendency of employment rates in 1990s by raising from 56,5% (2000) to the historically highest point 59,3% (2008), the fact of social tension towards unemployment remained still high: 54,4% (2008) sharply jumped to 80% (2010), reminding the 84%' level of 1990s. Employment rates changed accordingly to Ukrainian economy: in industry the rate reduced from 30, 6% (1990) to 15,8% (2009), in agrarian sector even more – from 17,1% (1990) to 4,4% (2009). Without proper economic reforms, especially concerning the sheer lack of employment policy the only segment of nonworking people is consistently raising 39, 3%(1994):48,1(2010) particularly by growing part of those without permanent work -- 10,7% (2010). Quite remarkable is problem with mismatch of work and education/vocation, in general the employed structured themselves as employee due to their special education – 51,6%, mismatched to professional education 30% and 12% hesitated to give proper answer. Concerning employment according to the gained professional level, situation is even worse – only 28,2% are working according to professional

level, 32,3% without of correspondence to professional level, the rest 30% hesitate to point the proper answer.

Important point also should be taking to consideration that in Ukraine, as in the other CIS countries emerged segment of poor working people due to low wages system, inherited from USSR, therefore teachers, medical doctors, researchers and university faculty need to earn elsewhere: usually 10-12% respondents were engaged in work for additional payments, in 2010 those working additionally to first main work consisted already 28,9%, together with those without permanent work formed significant segment of 56% informal economy sector (F.Schneider).

New market opportunities, opposite to expectations before transitional period, pointed quite low rates of Ukrainian's involvement into entrepreneurship, which now could be compared with figures of pre-reforming Central Europe. Enlarging private sector describes only structural quantities' changes without proper qualitative tracks concerning private individual initiative movement: all kinds of entrepreneurs compound the group of 2 millions on the background of 20 millions employed, only self-employed sector is keeping quite noticeable positions: official state statistics include also agrarians by pointing 17% (2009), opposite to 5,2% (2010) self-positioned sociologically. Orientation to self-employment is caused by different reasons: economic crises, low wages, initiative in searching the means, slow but strong proliferation of market consciousness (Ivashchenko 1994, 1995, 2002, 2003, 2004, 2010,2011). Anyway the problem of good paid work search in accordance to qualification remains the sharpest problem for the majority of

Ukrainians – 73% and for 55% even any work search is quite problematic. On the background of such frustrated data the only rocking figure of *Ukrainian's willingness to open the own business still is raising: strongly agreed 20% (2004): 30% (2010): 26% (2012), which together with agreed respondents reach incredible 41%(2004):49%(2010):45%(2012), which gives strong hopeful base for positive economic perspective revealing the ongoing development of entrepreneurial culture and increasing market consciousness, especially comparing to other CIS extremely low rates.*

Generally, post-soviet employment practices, by means of experienced different survival strategies – informal employment, labor migration, plural labor markets involvement, sharpened the core predominance of common dependant soviet mentality values model, constantly transforming it to market opportunity modeling of own working place with boss and worker in one person, developing in de Soto terms people's capitalism.

These pointed above socio-economic circumstances led to emerging the labor market, first, segmented labor market, secondly, or overall vision of plural labor markets: formal labor market in correspondence to main working place; labor market of additional work; informal (shadow) labor market; labor market for self-employment opportunities, private initiative; foreign labor market(s); grant/credit foreign and national labor market for scientists, NGOs, small-medium business etc. The quantity and quality of these markets could be described by statistics and sociology for understanding the continuity involvement and circulation within these markets and outwards, perspectives for entering, reentering and abandoning these labor markets could be

generalized as research knowledge mainly undertaken for lighting the new post-post soviet labor market formation and its nature, on what Victor Nee and Matthey stressed in 1996, asking '*Where do labor markets come from?*' They do not emerge from the state hierarchy, instead it' link to the rise of production markets, but the sense is that labor market in reforming state socialism is fundamentally important for explanation the changes of stratification order and societal transformation in general.

In conclusion, the sense of study labor market formation process or simply its nature gives opportunity to follow the different political, economic, socio-economic and social evidences by means of terms and concepts of redistributive/mixed hybrid/informal/market economy. Such opportunity provides possibility to find real social transformation tracks within market transition period from soviet state socialism to post-soviet capitalism explaining analyses of the state in 'departure point' for simultaneous understanding what is going and vision on when and where would be 'arrival point'.

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